

# PCI AUSTRALIAN

PERFORMANCE OF CONSTRUCTION INDEX®

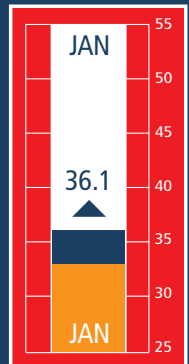
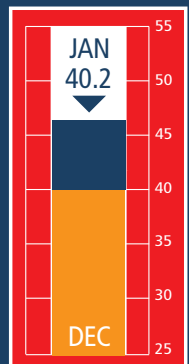
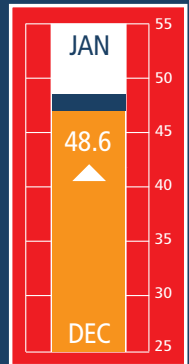
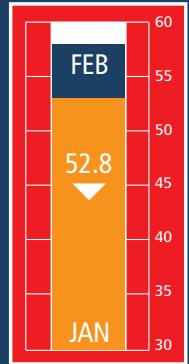
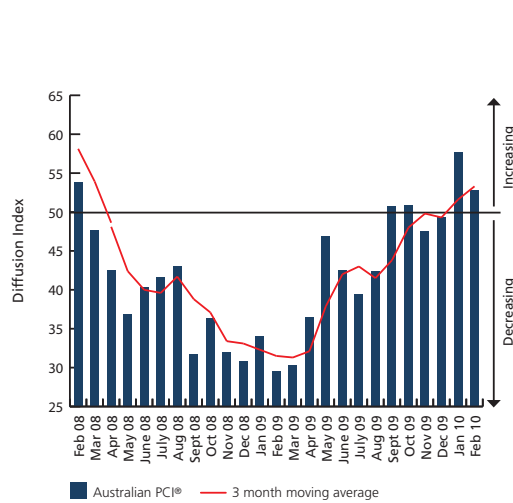


FEBRUARY 2010

## CONSTRUCTION EXPANDS TO MAINTAIN IMPROVING TREND

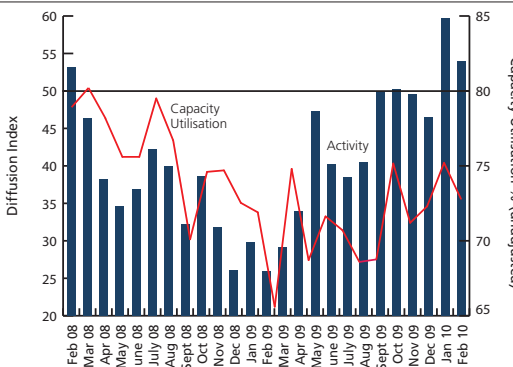
### KEY FINDINGS

- The national construction industry expanded for a second consecutive month in February.
- The seasonally adjusted Australian Industry Group/ Housing Industry Association Performance of Construction Index® registered 52.8 in February, to remain above the critical 50 points level separating expansion from contraction. Although this reading was 4.9 points below the level of the previous month to indicate an easing in growth, it maintained the improving trend in industry conditions (as indicated by the three month moving average of the Australian PCI®).
- The slower pace of growth in February coincided with reports of a lower acquisition of new contracts during the month, and in some instances, the completion of existing projects. In addition, residential builders indicated that the interest rate increases of last year and the unwinding of the First Home Buyers stimulus had flowed through to a slight easing in work levels during the month. However, it was noted by house builders that customer enquiries and buyer confidence had remained resilient, while some firms pointed to an improvement in investor activity.
- By sector, the survey results revealed a continued increase, albeit at a slower rate, in work undertaken on house building, engineering and commercial construction projects, while the apartment sector declined markedly to offset the improvement recorded in the previous month.
- On an aggregate industry basis, both activity and new orders recorded a second straight month of growth in February. However the pace of increase eased, leading to a lesser rate of growth in both employment and deliveries from suppliers.



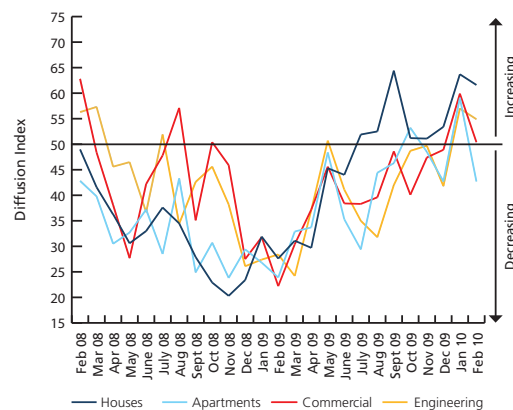
### CONSTRUCTION ACTIVITY AND CAPACITY

- In seasonally adjusted terms, the activity sub-index registered 54.0 in February.
- This was 5.7 points below the index reading in January, and pointed to a slower rate of expansion in total construction activity.
- Underlying this result was a moderation in new orders growth, driven by a deterioration in incoming business received by firms in the apartment building and commercial construction sectors.
- The average rate of capacity utilisation registered 72.4% in February, down slightly by 0.4 percentage points on January.



### ACTIVITY BY SECTOR

- House building maintained growth in February for an eighth straight month, albeit at a slower rate, with the sub-index decreasing by 2.1 points to 61.6.
- Engineering construction activity recorded a second straight month of growth, although the pace of increase eased as indicated by a reduction of 2.1 points in the sub-index to 54.9. This coincided with firms recording a slightly higher rate of decline in new orders during the month.
- Commercial construction registered a marked easing in activity growth, the sub-index falling by 9.5 points to 50.4, which largely offset the upturn in activity experienced in the previous month.
- The apartment building sector was the only sector to record a contraction in activity with a sub-index reading of 42.7. This represented a fall of 16.4 points following a rise of the same magnitude in January.



## NEW ORDERS

- New orders (seasonally adjusted) expanded in February for a second straight month.
- The new orders index registered 51.3, although this was down 2.2 points on the level registered in January to signal an easing in the rate of growth.
- Underlying this result were contractions in new orders received by apartment, engineering and commercial construction firms which offset the continuation of solid new orders growth in the house building sector.
- The overall rise in new orders points to the likelihood of continued growth in activity during coming months.

## NEW ORDERS BY SECTOR

- New orders in house building posted a further increase in February with the index rising by 3.6 points to 61.7. This marked the sixth month of rising new orders since July 2009 and was in line with reports of resilience in the level of enquiries and buyer confidence.
- For the commercial construction sector, new orders returned to negative territory following the increase of the previous month, with the index falling by 4.4 points to 46.8.
- New orders in the apartment sector also contracted after the short lived growth in January as evident by a decline in the index of 14.8 points to 44.0. As a consequence, activity was only marginally above the subdued level registered two months ago.
- In the engineering construction sector, new orders registered a fourth consecutive month of decline with the index registering 48.7. This was 0.8 points down on the previous month, indicating a slightly higher rate of contraction.

## EMPLOYMENT AND WAGES

- Employment expanded further in February, although the rate of increase moderated.
- The employment sub-index registered 51.1, a decrease of 8.0 points on the level of the previous month.
- While growth was sustained, the increase represented the lowest level of increase in the past three months.
- Growth in wages was reported at a slightly slower rate, the index registering 62.2, a decrease of 1.3 points on the previous month.

## DELIVERIES, INPUT COSTS AND SELLING PRICES

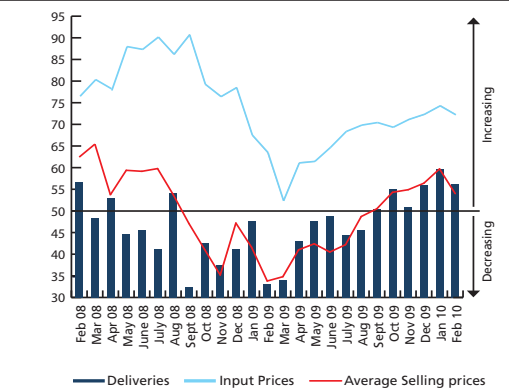
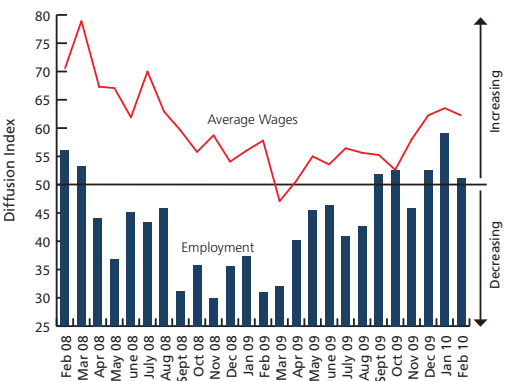
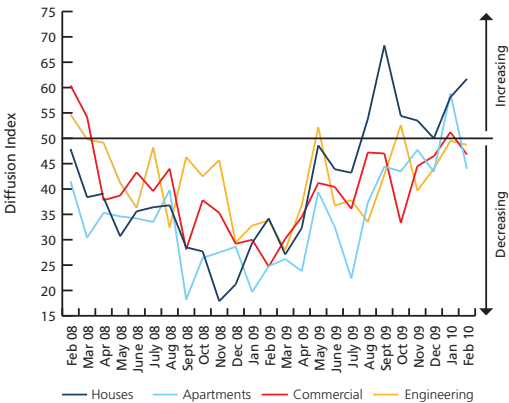
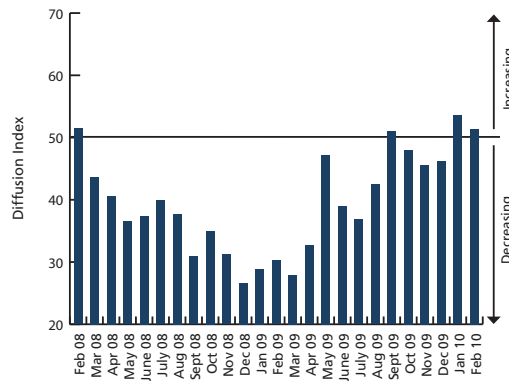
- In line with the moderation in activity growth, demand for deliveries of inputs from suppliers increased at slower rate in February.
- The supplier delivery index registered 56.3, a decrease of 3.4 points on the previous month.
- Firms reported an easing in the growth rate of input costs in February with the input costs sub-index falling by 2.1 points to 72.4.
- Selling prices posted an increase for a sixth consecutive month, although at lesser rate with the sub-index registering 54.0, a decrease of 5.7 points on January.

## AUSTRALIAN PCI®\*

	February 10	January 10	Monthly Change	Direction	Rate of Change	Trend ** (Months)
<b>AUSTRALIAN PCI®</b>	52.8	57.7	-4.9	Expanding	Slower	2
<b>ACTIVITY</b>	54.0	59.7	-5.7	Expanding	Slower	2
-HOUSES	61.6	63.7	-2.1	Expanding	Slower	8
-APARTMENTS	42.7	59.1	-16.4	Declining	From Expansion	1
-COMMERCIAL	50.4	59.9	-9.5	Expanding	Slower	2
-ENGINEERING	54.9	57.0	-2.1	Expanding	Slower	2
<b>NEW ORDERS</b>	51.3	53.5	-2.2	Expanding	Slower	2
<b>EMPLOYMENT</b>	51.1	59.1	-8.0	Expanding	Slower	3
<b>DELIVERIES</b>	56.3	59.7	-3.4	Expanding	Slower	6
<b>INPUT PRICES</b>	72.4	74.5	-2.1	Expanding	Slower	25
<b>SELLING PRICES</b>	54.0	59.7	-5.7	Expanding	Slower	6
<b>WAGES</b>	62.2	63.5	-1.3	Expanding	Slower	11
<b>CAPACITY</b>	72.4	72.8	-0.4 % points	Contracting	na	na

Results are based on a sample of over 120 companies. New monthly seasonal adjustment factors derived directly from an X-12 estimation process, introduced in April 2009.

\*Seasonal adjusted results are based on factors derived from NTC Economics construction indexes, adjusted for Australian conditions. \*\* Number of months moving in current direction



## WHAT IS THE AUSTRALIAN PCI®?

The Australian Industry Group – Housing Industry Association Australian Performance of Construction Index (Australian PCI®) is a seasonally adjusted national composite index based on the diffusion indexes for activity, orders/new business, deliveries and employment with varying weights. An Australian PCI® reading above 50 points indicates construction activity is generally expanding; below 50, that it is declining. The distance from 50 is indicative of the strength of the expansion or decline.

More information can be obtained from the Ai Group web site [www.aigroup.com.au](http://www.aigroup.com.au)

## CONTACT

**Peter Burn**  
Director – Public Policy  
Ai Group  
work 02 9466 5503

**Harley Dale**  
Chief Economist  
HIA  
work 02 6245 1300

**Markit Economics**  
[www.markiteconomics.com](http://www.markiteconomics.com)

© The Australian Industry Group, 2010

This publication is copyright. Apart from any fair dealing for the purposes of private study or research permitted under applicable copyright legislation, no part may be reproduced by any process or means without the prior written permission of The Australian Industry Group.

**Disclaimer** – The Australian Industry Group provides information services to its members and others, which include economic and industry policy and forecasting services. None of the information provided here is represented or implied to be legal, accounting, financial or investment advice and does not constitute financial product advice. The Australian Industry Group does not invite and does not expect any person to act or rely on any statement, opinion, representation or interference expressed or implied in this publication. The Australian Industry Group has compiled this information in conjunction with information provided by HIA. All readers must make their own enquiries and obtain their own professional advice in relation to any issue or matter referred to herein before making any financial or other decision. The Australian Industry Group accepts no responsibility for any act or omission by a person relying in whole or in part upon the contents of this publication.